

LONG TERM MANAGEMENT STRATEGY



DISCUSSION PAPER (NO. TWO) Proposed In-Bay Allocation Strategy

November 16, 1998

The *Final Environmental Impact Statement/Programmatic Environmental Impact Report (EIS/R) for the Long Term Management Strategy (LTMS) for the Placement of Dredged Material in the San Francisco Bay Region* presents potential mechanisms for implementing the preferred alternative. The preferred alternative involves distributing dredged material amongst the in-Bay, Upland/Wetland Reuse (UWR), and ocean environments under a 20/40/40 percent formula, respectively, with a goal of ultimately disposing a maximum of 1.0 million cubic yards (mcy) of dredged material per year in the Bay.¹ A preliminary discussion regarding potential mechanisms for implementing the preferred alternative was presented in the Final EIS/R for the LTMS.

The transition from present disposal practices to the 20/40/40 distribution will be implemented over a period of twelve years in order to reduce economic dislocations to dredgers by allowing time for new UWR sites to come on-line, new equipment and practices to be implemented, and funding mechanisms and arrangements to be established. In addition, the preferred alternative will be implemented by: (1) using a starting point of 2.8 mcy as the starting point for the volume of material allowed for in-Bay disposal (mid-way between 3.3 mcy and 2.3 mcy, the historical (1991-1997) maximum and average, respectively, volumes disposed in the Bay); (2) allocating in-Bay disposal site capacity between three dredger types: small, medium, and U.S. Army Corps of Engineers (COE); and (3) setting overall in-Bay disposal volume limits (the sum of medium and COE average annual allocations and the average annual volume expected to be generated by small dredgers) that decrease every three years throughout the transition period.²

On July 8, 1998, a scoping meeting was held to present and discuss the following potential strategies for implementing the preferred alternative:

1. Total Allotments Over a Multi-Year Period With Trading. As a part of this strategy, each medium and COE dredging project sponsor would receive an in-Bay disposal allotment, mid-way between their seven-year in-Bay disposal average volume and seven-year maximum volume (derived from 1991-1997 disposal volumes), which could be used over a multi-year period or traded with other medium and COE dredgers;

1 It should be noted that the "target" of 1.25 mcy is slightly less ambitious than the goal of 1.0 mcy, as noted on Figure 1. This allows more flexibility in the event historical average dredging and in-Bay disposal patterns change due to climatic conditions, etc..

2 For planning purposes: small dredging projects have been defined by a dredging depth of less than -12 MLLW and generating less than 50,000 cy per year as a long-term average; medium dredging projects by a depth greater than -12 MLLW and/or average annual long term volumes greater than 50,000; and COE projects as those maintained by the COE. It should be noted that dredging project definitions will be further clarified in the Draft LTMS Management Plan.

2. **Average Annual Allotments With Trading and Without Banking.** Under this strategy, each medium and COE project sponsor would receive an annual in-Bay disposal allotment, mid-way between their seven-year (1991-1997) average and seven-year maximum volume, that could be used over a one-year period only or traded with other medium and COE dredgers;

3. **Average Annual Allotments With Trading and Banking.** Under this third strategy, each medium and COE project sponsor would receive an annual in-Bay disposal allotment which could be used over a one-year period only, banked for use at a later time, or traded with other medium and COE dredgers;

4. **First-come, First-served.** This strategy would involve allowing project sponsors to dispose of material at in-Bay sites on a first-come, first-served basis until the in-Bay disposal volume limits and target volumes for each in-Bay site had been met;

5. **Reduced In-Bay Disposal of COE Maintenance Material To Achieve Volume Targets.** Under this strategy, the maximum volume of COE maintenance material in any one year would be taken to UWR or ocean sites in order to meet the in-Bay disposal volume goal.

These five potential strategies also had several features in common including: (1) an exemption from in-Bay disposal volume limits for small dredgers; (2) a contingency set-aside at in-Bay disposal sites for emergencies; and (3) an in-Bay disposal fee to monitor and manage sites. (A more detailed discussion of these five strategies is presented in *Discussion Paper: Potential In-Bay Allocation Strategies*, July 3, 1998.) In addition, two other strategies were proposed at the July 8, 1998, scoping meeting:

6. **Free Market System (Mr. Ed Ueber, Farallones National Marine Sanctuary).** Under this strategy, in-Bay disposal allotments would be sold to dredging project sponsors using an open-bid process, thereby getting away from giving and basing allotments on a historical "right;" and

7. **Decreasing In-Bay Disposal (Mr. Keith Nakatani, Save San Francisco Bay Association).** This strategy would use incentives aimed at decreasing in-Bay disposal over time.³

The comments regarding these potential implementation strategies raised at both the July 8, 1998, scoping meeting and in letters received following the meeting (Attachments 1-5) primarily focused on:

- a. The difficulty—from an administrative standpoint—of tracking allotted volumes actually disposed in the Bay;
- b. The potential navigational and economic impacts of *any* restrictions on in-Bay disposal on proposed dredging projects;
- c. The problem of using one-year—as opposed to multi-year—allotments particularly for areas not dredged on an annual basis;
- d. The value of a multi-year strategy involving banking and/or trading in light of the potential for longer-term planning and consequently, reliability;
- e. The consequences of strategies involving banking allotments which in turn might result in fewer incentives to trade;
- f. The inherent "unfairness" of a first-come, first-serve strategy;

³ Specific incentives were not presented at the July 8, 1998, meeting.

2. **Medium and COE dredgers.** At the beginning of the transition to the preferred alternative, each medium and COE dredging project sponsor would receive an in-Bay disposal volume allocation mid-way between their seven-year average and seven-year maximum volumes derived from their 1991-1997 disposal volumes. Accordingly, the overall in-Bay disposal volume limit would initially be set at 2.8 mcy, which is the combined total of the medium and COE average annual allocations and the average annual volume expected to be generated by small dredgers. In order to implement the goals of the preferred alternative, individual medium and COE allocations would be reduced every three years. Consequently, the overall in-Bay disposal volume limit would be reduced; a reduction of approximately 380,000 cy every three years would result in achieving the in-Bay disposal volume goal of 1.0 mcy in twelve years. (Figure 1)

The total volume allotted to each medium and COE project sponsor could be used for a single dredging episode or a series of episodes over a three-year period. Dredging project sponsors could dispose their allotted volume at any time during the three-year period as long as the total in-Bay disposal limit was not exceeded. Medium and COE dredgers would be required to determine whether UWR and ocean disposal alternatives could be used as a part of the permit application process through the DMMO; in the event either alternative could be used, in-Bay disposal would not be allowed. Once a project sponsor had used their total in-Bay disposal allocation for any three-year period, no material from subsequent dredging episodes could be disposed in the Bay during that period unless trading occurred. Instead, any material in excess of the allocated in-Bay disposal volume for that three-year period would require use of alternative disposal options or trading of disposal allocations.

3. **Trading and Banking.** Any unused portion of a particular volume allotment could be exchanged between medium and COE dredging project sponsors. It would be up to the discretion of project sponsors to make these exchanges. In the case where an "exchange" had occurred, DMMO permit applicants would be required to provide evidence and verification from another dredger that all or a portion of their allotted in-Bay disposal volume had been granted to the applicant.

Medium and COE project sponsors might also choose to "bank" their dredging allotments from one three-year period to the next so as to reserve sufficient volume for a future in-Bay disposal event. However, unless used during the subsequent three-year period, these credits would essentially "expire" at the end of that period and could not be carried any further into the future. In addition, banked volumes carried from one three-year period to the next would be reduced to reflect reductions in individual three-year allotments and the overall in-Bay disposal volume limit.

Dredging project sponsors whose volume allotment would not allow all of the volume generated from a project to be disposed in the Bay, and who might be unable to obtain additional in-Bay volume allotments from other dredgers or who had used up any reserved volumes under the banking system, would need to find alternative disposal sites. Because of their exemption, small dredgers would not be a part of this trading and banking system.

4. **Contingency Allotment.** In each three-year period, a specific volume of in-Bay disposal site capacity would be reserved to allow for in-Bay disposal in the event of an emergency. Up to 250,000 cy per year would be reserved at in-Bay disposal sites for potential contingencies. As shown in Figure 1, the contingency allotment would not affect volume allocations for medium or COE dredgers or the small dredger exemption but would exceed the overall in-Bay disposal volume limit.⁵

⁵ The types of emergency conditions approved under the contingency allotment will be defined in the Draft LTMS Management Plan.

Pro. During the period when the overall in-Bay disposal volume limit is 2.8 mcy, there would be adequate in-Bay disposal capacity in the event all medium and COE dredgers intended to dredge their combined total average annual in-Bay disposal volume allocation (i.e. equal to their proportion of the 2.8 mcy starting volume derived from their total average 1991-1997 disposal volumes), approximately 2.4 mcy.

Con. With the banking option, if the preferred disposal option were in the Bay, then there would be greater incentive to bank than to trade. As a result, dredgers might not be able to obtain credits via the trading system.

Con. Banked volumes would decrease overtime in proportion to decreases in the in-Bay disposal volume limits. Therefore dredgers risk reduced banked volumes over time.

Con. If all medium and COE dredgers opt for using their combined total—as opposed to average—volume allotments in a single year, the initial starting point of 2.8 mcy could be exceeded. Thus, there would be insufficient capacity at in-Bay sites for the combined medium and COE total volume allotments during that time.

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